

BELLEVUE SCHOOL DISTRICT No. 405
King County, Washington
September 1, 1993 Through August 31, 1994

Schedule Of Federal Findings

1. Bellevue School District Officials Should Establish And Implement Payroll Charge Allocation Procedures In Compliance With Chapter 1 Time And Effort Requirements

Our audit of payroll charges to the Chapter 1 program indicated district officials failed to establish and implement payroll charge allocation procedures which comply with Chapter 1 time and effort requirements.

District officials operate the Chapter 1 program in ten schools. The payroll charges within the schools are reflective of three different methods of service delivery. Required supporting documentation for the payroll charges varies according to the service delivery method. The three methods used by the district, the documentation requirements required for that method and the audit exception, if any, with the district's procedures follow.

- a. 100 percent funded employees: This method means the employees worked only on the Chapter 1 program. Time and attendance records prepared on a contemporaneous basis are required. This documentation was not available. The district maintains an exception based time and attendance system which has been found by the grantor agency (the Superintendent of Public Instruction (SPI)) as not meeting documentation requirements.
- b. Split funded employees: This method means the employees worked on more than one program, including the Chapter 1 program, in distinct time blocks. Detailed time and effort records are required. District officials failed to maintain adequate detailed records. Instead, they conducted and documented three one-week time studies for the split funded teachers and then allocated payroll charges to the program based upon this sample period. This amounted to an unapproved indirect cost allocation plan which also does not meet current published documentation requirements.
- c. Blended employees: This method means the employees worked on more than one cost objective at the same time. Students from a variety of programs were included in the classroom. Detailed time and effort records are required and were adequately maintained.

The federal OMB Circular A-87) *Cost Principles For State and Local Governments*, Attachment B, Allowable Costs) 10(b): *Payroll and Distribution of Time* states in part:

. . . Payrolls must be supported by time and attendance records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

The federal OMB Circular A-87) *Cost Principals For State and Local Governments*, Attachment A, *Principles For Determining Costs Applicable To Grants And Contracts With State, Local, And Federally Recognized Indian Tribal Governments*) J(5) "Negotiation and Approval of Indirect Cost Proposals for Local Governments" states in part:

- a. Cost allocation plans will be retained at the local government level for audit by a designated Federal agency except in those cases where that agency requests that cost allocation plans be submitted to it for negotiation and approval.

The Washington State Office of the Superintendent of Public Instruction Bulletin No. 59-92 states in part:

... "employee time and attendance report" means a report prepared and submitted for every pay period signed by the employee and the employee's immediate supervisor that reports actual compensable time, time distribution, and compensable actual attendance.

District officials were and are aware of the requirements to maintain an accurate system for charging actual time to federal award programs based upon time and effort records. They believed their system met the requirements.

The current system utilized by district officials causes the district to be in violation of federal regulations and the written pronouncements of the grantor. In addition, the system increases the potential for payroll charges to be allocated incorrectly and dedicated funds to be spent for other than the mandated purposes. It did appear services were performed at the expected level for both the state and federal awards. Thus we are not questioning costs associated with these payroll charges.

We recommend district officials adopt policies and procedures to support payroll charges by:

- a. Maintaining detailed time and attendance records for all employees whose salaries are charged to federal programs.
- b. Maintaining time and effort records for all employees charged to more than one program if a federal program is involved.

We further recommend, as an alternative, district officials obtain written approval from the Superintendent of Public Instruction for their cost allocation methodology.